

## Message Text

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W

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R 252000Z AUG 76

FM AMEMBASSY MEXICO

TO SECSTATE WASHDC 6988

S E C R E T SECTION 1 OF 2 MEXICO 10914

EXDIS

E. O. 11652: GDS

TAGS: OVIP, MX

SUBJECT: BREAKFAST CONVERSATION WITH PRESIDENT-ELECT

LOPEZ PORTILLO

REF: STATE 208577

1. SUMMARY: ON AUGUST 24 I SPENT AN INTERESTING, CORDIAL AND FRANK ONE AND ONE-HALF HOUR BREAKFAST SESSION WITH PRESIDENT-ELECT JOSE LOPEZ PORTILLO. AT HIS SUGGESTION, THERE WERE NO OTHERS PRESENT. HE IS OBVIOUSLY LOOKING FORWARD TO HIS VISIT TO SEE PRESIDENT FORD AND OPPORTUNITY TO KNOW MORE ABOUT U.S., ITS CURRENT POLITICAL SITUATION, ITS ECONOMIC PROSPECTS, ITS RELATIONSHIP WITH MEXICO, ETC. IN ADDITION TO DIRECT CONTACT WITH PRESIDENT FORD AND UJMS. OFFICIALS, HE WAS PLANNING TO SPEND TIME WITH INTERNATIONAL MONETARY FUND, THE WORLD BANK AND THE INTER-AMERICAN DEVELOPMENT BANK. HE WAS EAGER TO KNOW MORE ABOUT CURRENT ATTITUDES TOWARD MEXICO OF THE U.S. JEWISH COMMUNITY AND OF THE POSSIBILITY OF IMPROVING THIS RELATIONSHIP. HE WAS EAGER TO HAVE CONTACT WITH PRESS AND MEDIA AND RECOGNIZED THAT EXCELSIOR AFFAIR, COMBINED WITH JEWISH/MEXICAN PROBLEM, HAD WEAKENED MEXICO'S PUBLIC IMAGE. HE WAS HOPEFUL OF VISITING NEW YORK AND OTHER CITIES TO HAVE SOME CONTACT WITH BUSINESS AND BANKING COMMUNITY. HE WAS INTENSELY CONCERNED ABOUT MEXICO'S ECONOMIC, FINANCIAL AND POLITICAL SITUATION, THE IMMENSITY OF THE PROBLEMS FACING A NEW PRESIDENT AND THE URGENCY OF OBTAINING SOME SORT OF SUPPORT WHICH WOULD GIVE HIM THE

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NECESSARY MARGIN TO OPERATE OVER THE INITIAL TWO-YEAR

PERIOD OF HIS PRESIDENCY WHICH HE CONSIDERED THE CRUCIAL MOMENT IN WHICH HE WOULD HAVE TO MAKE THE PROFOUND CHANGES NECESSARY NOT ONLY IN BUDGETARY/FISCAL SECTOR BUT ALSO IN AGRICULTURE/CAMPESINO, LABOR AND STUDENT SECTORS AS WELL AS IN CRUCIAL ENERGY/PETROLEUM FIELD. WE ALSO SPOKE ABOUT SECURITY AND OTHER MATTERS WHICH WILL BE SUBJECT OF SEPARATE TELEGRAMS. THE FOLLOWING GIVES MORE DETAILED COVERAGE OF SUBJECTS DISCUSSED. END SUMMARY.

2. OFFICIAL PARTY. ON HIS TRIP HE WOULD BE ACCCOMPANIED BY A VERY SMALL GROUP OF HIS INTIMATE STAFF WHO WOULD SERVE NOT ONLY AS ADVISORS BUT ALSO TO GIVE CONTINUITY AND FUTURE ACTION BASED ON THE CONVERSATIONS HE WOULD HAVE IN U.S. THE ADVISORS WOULD INCLUDE: LIC. JULIO RODOLFO MOCTEZUMA CID--DIRECTOR OF PRI'S INSTITUTE FOR POLITICAL, ECONOMIC AND SOCIAL STUDIES. PROBABLY JLP'S CLOSEST ADVISOR ON SUBSTANTIVE MATTERS AND HAS BEEN WITH JLP SINCE MID-1960S; LIC. BERNARDO SEPULVEDA AMOR--HEADS ONE OF THREE INFORMAL GROUPS WORKING WITHIN IEPES ESPECIALLY TASKED WITH U.S.-MEXICAN BILATERAL RELATIONS; LIC. RAFAEL IZQUIERDO-- HIS ADVISOR ON ECONOMIC AND FINANCIAL MATTERS.

3. BILATERAL RELATIONS. HE STRESSED THE NEED FOR MEXICO TO HAVE CLOSER RELATIONS WITH THE U.S. BASED ON A BETTER KNOWLEDGE, ONE OF THE OTHER, AND OF COURSE ON MUTUAL RESPECT. IT WAS RIDICULOUS THAT MEXICO HAD A SCHOOL FOR ORIENTAL STUDIES AND NO SIMILAR INSTITUTION DEVOTED TO KNOWING THE U.S. HE NOW HAD A STUDY GROUP WORKING ON U.S. PROBLEM AND HE RECOGNIZED THAT FORMER MINISTER OF NATIONAL PATRIMONY FLORES DE LA PENA, NOW PRESIDENT OF THE CENTRO DE INVESTIGACION Y DOCENCIA ECONOMICA, HAD ALSO BEGUN DOING INTERESTING WORK; HE CLAIMS THAT THIS HAD BEEN BEGUN AT HIS SUGGESTION WHILE STILL MINISTER OF FINANCE. THE NEED TO KNOW MORE ABOUT U.S., TO HAVE BETTER PERSONAL CONTACTS AND TO LAY BASIS FOR A MORE INTIMATE RELATIONSHIP WAS MAIN REASON HE HAS BEEN EAGER TO UNDERTAKE THIS TRIP AS EARLY AS POSSIBLE AFTER BEING CONFIRMED BY THE SENATE.

4. TIMING OF VISIT. IN CHOOSING SEPTEMBER DATE, HE RECOGNIZED HE WAS BREAKING PRECEDENT AS PREVIOUS MEXICAN SECRET

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PRESIDENTS-ELECT HAD NOT MADE SIMILAR TRIPS UNTIL AFTER U.S. ELECTIONS IN NOVEMBER. IT WAS IMPORTANT THAT THIS FACT BE KEPT IN MIND BY U.S. SIDE AND THAT HIS PRESENCE IN U.S. BE HANDLED WITH CERTAIN AMOUNT OF DELICACY AND EVEN-HANDEDNESS.

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FM AMEMBASSY MEXICO

TO SECSTATE WASHDC 6989

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5. THE ECONOMY. THE PRESIDENT-ELECT SPOKE AT SOME LENGTH AND WITH TRUE EMOTION REGARDING CURRENT ECONOMIC AND POLITICAL PROBLEMS THAT HE WOULD INHERIT. IT WAS A TRUE MESS AND HIS GREAT FEAR WAS THAT THE ECONOMY MIGHT REACH A CRISIS POINT EVEN BEFORE HIS DEC. 1 TAKEOVER. HE WONDERED WHAT SUPPORT HE COULD GET BOTH FROM U.S. AND FROM INTERNATIONAL FINANCE INSTITUTIONS. HE REALLY NEEDED TWO YEARS IN ORDER TO MAKE PROFOUND CHANGES NECESSARY TO PUT MEXICO ON A MORE EVEN KEEL. AMONG THESE CHANGES WAS THE NEED FOR BUDGETARY AND FISCAL REARAINT AND ADOPTION OF ATTITUDES OF TRUE AUSTERITY IN GOVERNMENT SPENDING. HE RECOGNIZED THAT THIS IN ITSELF MIGHT BE DISRUPTIVE AND HE MUST BE CAREFUL NOT TO IMPEDE ECONOMIC GROWTH, BUT HE THOUGHT PUBLIC OPINION WOULD SUPPORT HIM, PARTICULARLY IF THE CENTRAL FEDERAL GOVERNMENT TOOK ON A NEW IMAGE OF AUSTERITY. (WHILE HE NEVER MENTIONED PRESIDENT ECHEVERRIA BY NAME IN THIS PORTION OF THE CONVERSATION, THERE WAS OBVIOUSLY CONSIDERABLE IMPLIED CRITICISM OF THE MANNER IN WHITH THE COUNTRY HAD BEEN ADMINISTERED DURING THE LAST ADMINISTRATION).

6. AGRICULTURE. IN ADDITION TO PURELY ECONOMIC AND GOVERNMENT PROBLEMS MEXICO WAS FACED WITH, THERE WAS THE NEED TO DO SOMETHING ON AN IMMEDIATE BASIS REGARDING THE AGRICULTURAL/CAMPESINO PROBLEM. OBVIOUSLY PREVIOUS LAND REFORM EFFORTS RESULTING IN THE EJIDO SYSTEM HAD BEEN A GROSS FAILURE AND MINIFUNDIA WERE AN EVEN GREATER THREAT TO PROSPERITY, PRODUCTION AND STABILITY THAN HAD EVER BEEN

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IMMAGINED, IT WAS NECESSARY TO RECREATE NEW ECONOMICALLY VIABLE UNITS OF AGRICULTURAL PRODUCTION. HE RECOGNIZED THAT THE TERM "COLLECTIVIZATION" AROUSED KEEN RESENTMENTS AND FEARS IN MANY SECTORS OF THE COUNTRY AND "COOPERATIVES" (IN WHICH HIS OWN NATIVE STATE OF JALISCO ALREADY HAD CONSIDERABLE BACKGROUND) WAS PERHAPS A MORE CONSTRUCTIVE TERM AND ALSO INDICATED GREATER RESPECT FOR THE RIGHTS OF THE INDIVIDUAL WHICH WERE SO DEAR TO THE NORTHERN MEXICAN HEART. IN TRIBAL AREAS, THE SYSTEM MIGHT TAKE OTHER, MORE COMMUNAL FORMS; IN STILL OTHER AREAS THE TERM "EJIDAL PRODUCTION COMPANIES" MIGHT BE STILL MORE APPROPRIATE.

7. ILLEGAL ALIENS. THE AGRICULTURAL/CAMPESINO PROBLEM WAS INTIMATELY LINKED WITH THAT OF THE ILLEGAL OR NON-DOCUMENTED WORKERS. THIS WAS A COMMON AND SHARED PROBLEM OF BOTH THE U.S. AND MEXICO AND THUS HE HOPED WE COULD WORKFOR A MUTUAL APPROACH TOWARD THE SOLUTION OF THIS PROBLEM, EVEN IF IT WERE NOT POSSIBLE TO ARRIVE AT A FORMAL AGREEMENT ON BRACEROS. HE RECOGNIZED THAT BRACERO AGREEMENT APPROACH WAS CONTROVERSIAL BOTH IN U.S. AND MEXICO AND HE RESPECTED THE VALIDITY OF MY COMMENT THAT A BRACERO AGREEMENT, UNLESS IT WAS ACCOMPANIED BY SOME STEMMING OF THE PARALLEL FLOW OF ILLEGALS, GAVE US THE WORST OF BOTH WORLDS.

8. LABOR. THE LABOR SECTOR OF MEXICO WAS ALSO ENTERING INTO A CRUCIAL STAGE DUE TO THE BIOLOGICAL FACT THAT ITS AGING LEADERS WERE BOUND ON SOON DISAPPEAR FROM THE SCENE. HIS ADMINISTRATION WOULD BE FACED WITH THE DEATH OR RETIREMENT OF LABOR CZAR FIDEL VELASQUEZ AND OTHERS AND FINDING NEW REPLACEMENTS WOULD ENTAIL DEEP POLITICAL CONTROVERSY. THE QUALITY AND COMPOSITION OF THE MEXICAN LABOR FORCE HAD ALSO CHANGED RADICALLY DURING THE PAST SIX YEARS AND WOULD CHANGE EVEN MORE DURING HIS ADMINISTRATION. HE WAS STRUCK EVERY TIME HE VISITED A FACTORY TO NOTE THE COMPARATIVE YOUTH OF THE BULK OF THE WORKERS, MOST BEING IN THEIR 20S AND MOST HAVING ENJOYED THE BENEFITS OF BETTER EDUCATION THAN HAD EVER BEEN AVAILABLE IN THE PAST. OBVIOUSLY A WORKING FORCE COMPOSED OF YOUTHFUL, EDUCATED PERSONS WAS MUCH MORE DIFFICULT TO HANDLE IN

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THE TRADITIONAL MEXICAN MANNER AND IT WILL GROW INCREASINGLY MORE SO.

9. STUDENTS. THE STUDENT POPULATION ALSO REPRESENTED

AN ONGOING POLITICAL PROBLEM. THE UNIVERSITIES WERE EVER MORE ALIENATED FROM THE MEXICAN POLITICAL MAINSTREAM. THEY WERE INCREASINGLY IN THE HANDS OF COMMUNISTS OR NEW RADICAL LEFTISTS. MANY OF THE TERRORISTS, INCLUDING THOSE OF THE 23RD OF SEPTEMBER LEAGUE, WERE DRAWN FROM UNIVERSITY/MIDDLE CLASS ORIGINS. A NATION WHICH HAD LOST CONTACT WITH ITS STUDENT POPULATION AND WITH THE CHILDREN OF ITS MIDDLE CLASS FACED ENORMOUS DANGERS AND THE PROBLEM OF REINCORPORATING THESE SECTORS AND ENDING THEIR ALIENATION WAS EQUALY ENORMOUS AND HAD NO READY ANSWER. HE COULD ONLY SAY THAT HE WAS FORTUNATE THAT HE HIMSELF CAME FROM UNIVERSITY/INTELLECTUAL BACKGROUND RATHER THAN A PURELY POLITICAL ONE AND HENCE DID NOT FULLY SHARE SOME OF THE HANDICAPS OF HIS PREDECESSOR. AT THE SAME TIME, THIS MADE THE RECENT ASSAULT ON HIS SISTER, HERSELF AN INTELLECTUAL IDEALIST, EVEN MORE DIFFICULT TO RATIONALIZE (SECURITY MATTERS ARE BEING REPORTED SEPARATELY). (A SECOND CABLE, COVERING THE REMAINDER OF THE GENERAL CONVERSATION, WILL BE PREPARED AS SOON AS TIME PERMITS.)  
JOVA

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